

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2003-44

February 25, 2003

CONSUMERS MAINE WATER COMPANY
MILLINOCKET DIVISION
Request for Waiver of Chapter 680
Depreciation Rates

ORDER APPROVING
WAIVER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we approve Consumer Maine Water Company's Millinocket Division (Consumers) request for a waiver of Chapter 680, Depreciation Rates, effective beginning in 2003. Millinocket shall notify the Commission no later than the first quarter of 2005 of its need for the continuation of this waiver and request an extension, if necessary.

II. BACKGROUND

On January 22, 2003, Consumers filed a request for waiver of Chapter 680, Depreciation Rates. Specifically, it requested depreciation rates that would allow it to record \$100,000 in annual depreciation expense. Using the depreciation rates required by Chapter 680, Consumers would have recorded an estimated annual depreciation expense of \$180,000. Consumers is requesting that this waiver be effective January 1, 2003 and remain in place until the next rate increase application for the Millinocket division is filed. At that time, the need for the continuation of the waiver would be evaluated.

Consumers last set rates for its Millinocket division effective September 2000, increasing rates by approximately 4.3%. Due to the declining customer base and consumption levels, the 2002 revenues were below the revenue requirement set in that case. Consumers expects revenues to decline further due to the bankruptcy announcement of Great Northern Paper. Millinocket states that it could justify a rate increase currently given the increase in expense levels combined with the consumption decrease. However, Great Northern Paper is the major industry in the region and a water increase currently should be avoided.

The Office of the Public Advocate filed a petition for Intervention on January 27, 2003. The parties informally discussed Consumers' petition on February 13, 2003 and were in agreement that the Company's proposal was acceptable.

III. DISCUSSION AND DECISION

Consumers has determined that a rate increase in its Millinocket division would be necessary for it to earn the rate of return previously set by this Commission. However, given the economic conditions in the Millinocket area the Company has proposed an alternative that would increase the rate of return while maintaining the rates currently in effect. Consumers obtained a similar waiver for its Bucksport division to keep rates down there.

In its letter, Consumers stated that its 2002 revenues were less than the revenue requirement set in the last case. Consumers states that it is expecting continued reduction in consumption and revenues because of the economic situation in the region. In the last five years, the depreciation expense exceeded the capital re-investment in all but one year. Consumers has stated that it does not foresee necessary capital investments in excess of the \$100,000 depreciation level over the next few years.

We have reviewed Consumer's filing and are aware of the economic conditions that exist in the Millinocket area. Given that the OPA does not object to this proposal, we grant Consumer's request for a waiver with the following conditions. If the economic situation in Millinocket changes -- for example, if the mill begins operating again and Consumer's revenues increase -- we direct Consumers to notify us as to whether the need still exists for recording reduced depreciation expense. Under any circumstance, we will require Consumers to file with us no later than the first quarter of 2005, a statement as to the continued need for this waiver. If it believes a need exists, Consumers shall request further extension at that time. Otherwise, the waiver will terminate after 2005.

Accordingly, we

O R D E R

1. Consumer Maine Water Company's Millinocket Division's request for a waiver of Chapter 680 is granted;
2. Consumers will record a depreciation expense of \$100,000 on an annual basis for the years 2003 through 2005 unless otherwise directed by the Commission; and
3. Consumers will make a filing no later than the first quarter of 2005 indicating whether the continuation of the waiver is necessary.

Dated at Augusta, Maine, this 25th day of February, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.